

CALIFORNIA TAX CREDIT ALLOCATION COMMITTEE

Project Staff Report

2020 First Round

June 17, 2020

Reedley Village, located at 1112 S. I Street in Reedley, requested and is being recommended for a reservation of \$850,256 in annual federal tax credits to finance the new construction of 31 units of housing serving large families with rents affordable to households earning 30%-60% of AMI of area median income (AMI). The project will be developed by Corporation for Better Housing and will be located in Senate District 14 and Assembly District 31.

The project financing includes state funding from CalHFA.

Project Number CA-20-031

Project Name Reedley Village

Site Address: 1112 S. I Street

Reedley, CA 93654 County: Fresno

Census Tract: 67.000

Tax Credit Amounts	Federal/Annual	State/Total
Requested:	\$850,256	\$0
Recommended:	\$850,256	\$0

Applicant Information

Applicant: 1112 S. I St., L.P., a California Limited Partnership

Contact: Lori Koester

Address: 20750 Ventura Boulevard, Suite 155
Woodland, CA 91364

Phone: (818) 905-2430

Email: lkoester@corpoffices.org

General Partner(s) / Principal Owner(s): Corporation for Better Housing

General Partner Type: Nonprofit

Parent Company(ies): Corporation for Better Housing

Developer: Corporation for Better Housing

Investor/Consultant: Alliant Capital, Ltd.

Management Agent(s): WinnResidential California LP

Project Information

Construction Type: New Construction

Total # Residential Buildings: 2

Total # of Units: 32

No. & % of Tax Credit Units: 31 100%

Federal Set-Aside Elected: 40%/60%

Federal Subsidy: N/A

Utility Allowance: CUAC

Information

Set-Aside: Rural
Housing Type: Large Family
Geographic Area: N/A
TCAC Project Analyst: Sara Dixon

55-Year Use / Affordability

Aggregate Targeting Number of Units	Percentage of Affordable Units
At or Below 30% AMI: 4	10%
At or Below 35% AMI: 5	15%
At or Below 50% AMI (Rural): 16	50%
At or Below 60% AMI (Rural): 6	15%

Unit Mix

16 2-Bedroom Units
16 3-Bedroom Units
32 Total Units

Unit Type & Number	2019 Rents Targeted % of Area Median Income	2019 Rents Actual % of Area Median Income	Proposed Rent (including utilities)
2 2 Bedrooms	30%	30%	\$438
2 2 Bedrooms	45%	45%	\$657
8 2 Bedrooms	50%	50%	\$730
3 2 Bedrooms	60%	60%	\$876
2 3 Bedrooms	30%	30%	\$505
3 3 Bedrooms	45%	45%	\$758
8 3 Bedrooms	50%	50%	\$842
3 3 Bedrooms	60%	60%	\$1,011
1 2 Bedrooms	Manager's Unit	Manager's Unit	\$0

Project Cost Summary at Application

Land and Acquisition	\$300,000
Construction Costs	\$7,028,693
Rehabilitation Costs	\$0
Construction Contingency	\$491,434
Relocation	\$0
Architectural/Engineering	\$276,800
Const. Interest, Perm. Financing	\$560,674
Legal Fees	\$175,000
Reserves	\$71,100
Other Costs	\$1,915,215
Developer Fee	\$1,000,000
Commercial Costs	\$0
Total	\$11,818,916

Residential

Construction Cost Per Square Foot:	\$227
Per Unit Cost:	\$369,341
True Cash Per Unit Cost*:	\$346,810

Construction Financing

Source	Amount
Pacific Western Bank	\$6,500,000
City of Reedley - Grant Funds	\$125,000
City of Reedley - Deferred CFD ¹	\$1,193,374
City of Reedley - Impact Fee Waiver	\$351,552
Tax Credit Equity	\$1,530,846

Permanent Financing

Source	Amount
CalHFA	\$1,077,400
CalHFA - Earned Surplus Loan	\$640,000
City of Reedley Grant Funds	\$125,000
City of Reedley - Deferred CFD ¹	\$1,193,374
City of Reedley - Impact Fee Waiver	\$351,552
Deferred Developer Fee	\$369,458
Solar Tax Credit Equity	\$154,752
Tax Credit Equity	\$7,907,380
TOTAL	\$11,818,916

¹Community Facilities District

*Less Donated Land, Fee Waivers, Seller Carryback Loans, and Deferred Developer Fee

Determination of Credit Amount(s)

Requested Eligible Basis:	\$9,448,230
130% High Cost Adjustment:	No
Applicable Fraction:	100.00%
Qualified Basis:	\$9,448,230
Applicable Rate:	9.00%
Total Maximum Annual Federal Credit:	\$850,256
Approved Developer Fee (in Project Cost & Eligible Basis):	\$1,000,000
Investor/Consultant:	Alliant Capital, Ltd.
Federal Tax Credit Factor:	\$0.93000

The “as if vacant” land value and the existing improvement value established at application, as well as the eligible basis amount derived from those values, shall not increase during all subsequent reviews including the placed in service review, for the purpose of determining the final award of Tax Credits, unless a waiver has been granted for a purchase price not to exceed the sum of third party debt that will be assumed or paid off. The sum of the third party debt encumbering the property may increase during subsequent reviews to reflect the actual amount.

Eligible Basis and Basis Limit

Requested Unadjusted Eligible Basis:	\$9,448,230
Actual Eligible Basis:	\$10,598,230
Unadjusted Threshold Basis Limit:	\$11,702,784
Total Adjusted Threshold Basis Limit:	\$12,873,062

Adjustments to Basis Limit

Highest or High Resource Opportunity Area

Tie-Breaker Information

First:	Large Family
Final:	36.230%

Cost Analysis and Line Item Review

Staff analysis of project costs to determine reasonableness found all fees to be within TCAC's underwriting guidelines and TCAC limitations. Annual operating expenses meet or exceed the minimum operating expenses established in the Regulations, and the project pro forma shows a positive cash flow from year one. Staff has calculated federal tax credits based on 9.0% of the qualified basis, or, in the case of acquisition credit or credit combined with federal subsidies, 3.24%. Applicants are cautioned to consider the expected federal rate when negotiating with investors. TCAC's financial evaluation at project completion will determine the final allocation.

Significant Information / Additional Conditions

The applicant has requested the use of a CUAC utility allowance. TCAC staff is in the process of reviewing the CUAC documentation for this existing project. Until written approval is received from TCAC, this project is not eligible to use a utility allowance based on the CUAC.

This project is Phase II of Reedley Family Apartment, Phase I (CA-13-137) and both phases will share community building and facilities. Both phases are under the same control of Corporation for Better Housing and prior to the start of construction, all necessary agreements shall be in place to ensure that Phase II has access to both the required space free of charge and the services. The Joint Use Agreement shall be provided in the placed in service submission.

The applicant's estimate of contractor profit, overhead and general requirement costs exceeds TCAC limit of 14%. The applicant is cautioned that at final review, prior to the issuance of the IRS 8609 forms, any costs or eligible basis that exceeds the limits will not be allowed.

Resyndication and Resyndication Transfer Event: None.

Legal Status

Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the Application. No information was disclosed that raised any question regarding the financial viability or legal integrity of the applicant.

Local Reviewing Agency

The Local Reviewing Agency, City of Reedley, has completed a site review of this project and strongly supports this project.

Standard Conditions

The applicant must submit all documentation required for a Carryover Allocation and any Readiness to Proceed Requirements elected. Failure to provide the documentation at the time required may result in rescission of the Credit reservation and cancellation of a carryover allocation.

State tax credit recipients are limited to cash distributions from project operations pursuant to California Revenue and Taxation Code Section 12206(d). By accepting the tax credit reservation, the applicant/owner is agreeing to comply with the statutory limitations and requirements.

TCAC makes the preliminary reservation only for the project specified above in the form presented, and involving the parties referred to in the application. No changes in the development team or the project as presented will be permitted without the express approval of TCAC.

The applicant must pay TCAC a performance deposit and allocation fee calculated in accordance with regulation. Additionally, TCAC requires the project owner to pay a monitoring fee before issuance of tax forms.

As project costs are preliminary estimates only, staff recommends that a reservation be made in the amount of federal credit and state credit shown above on condition that the final project costs be supported by itemized lender approved costs and certified costs after the buildings are placed in service.

All unexpended funds in reserve accounts established for the project must remain with the project to be used for the benefit of the property and/or its residents, except for the portion of any accounts funded with deferred developer fees.

All fees charged to the project must be within TCAC limitations. Fees in excess of these limitations will not be considered when determining the amount of credit when the project is placed-in-service.

The applicant/owner shall be subject to underwriting criteria set forth in Section 10327 of the regulations through the final feasibility analysis performed by TCAC at placed-in-service.

Credit awards are contingent upon applicant's acceptance of any revised total project cost, qualified basis and tax credit amount determined by TCAC in its final feasibility analysis.

The applicant must ensure the project meets all Additional Threshold Requirements of the proposed project. If points were awarded for service amenities, the applicant will be required to provide such amenity or amenities identified in the application, for a minimum period of fifteen years and at no cost to the tenants. Applicants that received points for sustainable building methods (energy efficiency) must submit the certification required by Section 10325(c)(5) at project completion. Applicants that received increases (exceptions to limits) in the threshold basis limit under Section 10327(c)(5) must submit the certification required by Section 10322(i)(2) at project completion.

Points System	Max. Possible Points	Requested Points	Points Awarded
Owner / Management Characteristics	9	9	9
General Partner Experience	6	6	6
Management Experience	3	3	3
Housing Needs	10	10	10
Site Amenities	15	15	15
Within ½ mile of transit (van or dial-a-ride service for rural set-aside)	4	4	4
Within 1 mile of public park or community center open to general public	3	3	3
Within 1 mile of public library	3	3	3
Within 2 miles of a full-scale grocery/supermarket of at least 25,000 sf	4	4	4
Within 1½ mile of public high school.	3	3	3
Within 1 mile of medical clinic or hospital	3	3	3
Within 1 mile of a pharmacy	2	2	2
Highest or High Resources Area	8	8	8
Service Amenities	10	10	10
LARGE FAMILY, SENIOR, AT-RISK HOUSING TYPES			
Adult ed/health & wellness/skill bldg classes, min. 84 hrs/yr instruction	7	7	7
Health & wellness services and programs, minimum 60 hrs per 100 bdms	3	3	3
Sustainable Building Methods	5	5	5
NEW CONSTRUCTION/ADAPTIVE REUSE			
Develop project in accordance w/ requirements: LEED	5	5	5
Lowest Income	52	52	52
Basic Targeting	50	50	50
Deeper Targeting – at least 10% of Low Income Units @ 30% AMI or less	2	2	2
Readiness to Proceed	10	10	10
Miscellaneous Federal and State Policies	2	2	2
State Credit Substitution	2	2	2
Total Points	113	113	113

Please Note: If more than the maximum Site Amenity points were requested, not all amenities may have been scored and/or verified.

DO NOT RELY ON SCORING IN THIS COMPETITIVE CYCLE FOR FUTURE APPLICATIONS. ALL RE-APPLICATIONS ARE REVIEWED WITHOUT RELIANCE ON PAST SCORING.